

WATER/DON/RAJ:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

Water Branch

RESOLUTION NO. W-4357

October 24, 2002

R E S O L U T I O N

(RES. W-4357), ARROWHEAD MANOR WATER COMPANY, INC. (AMWC). ORDER AUTHORIZING AN OFFSET RATE INCREASE OF \$67,421 OR 23.7% IN ADDITIONAL REVENUE DUE TO CONTRACT WORK AND PURCHASED WATER COSTS.

SUMMARY

By Advice Letter 48-W, filed July 30, 2002, AMWC seeks to increase rates by \$67,421 or 23.7% to cover expenses incurred in contract work and purchased water costs. The increase will not result in a rate of return greater than last authorized for AMWC.

BACKGROUND

AMWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to adjust rates to offset the increase in its contract work and purchased water costs.

The present rates of AMWC became effective on August 19, 2002, pursuant to Decision No. (D.) 02-07-009, which authorized a general rate increase of \$47,815 or 16.8%, and a 15% operating ratio.

AMWC is requesting recovery of \$67,421 through a one-time surcharge of \$120.39 per customer for the under collection of contract work and purchased water memorandum accounts as authorized in D.00-07-036.

NOTICE AND PROTESTS

Notice of the proposed surcharge was mailed to each customer on August 7, 2002. A total of 5 letters were received from customers in protest to this proposed surcharge. Almost all of the letters expressed concern over this surcharge increase.

DISCUSSION

D.00-07-036, dated July 20, 2000, which authorized an interim general rate increase of 87.6%, authorized AMWC to establish and maintain a purchased water memorandum account and a contract repair work memorandum account to track actual purchased water and contract work expenditures beginning with the effective date of the increased rate authorized in D.00-07-036. In addition, D.00-07-036 authorized AMWC to file advice letters by January 31 and July 31 each year seeking Commission approval for a customer billing surcharge or surcredit to collect or refund the accumulated amounts by which its actual, reasonable purchased water and contract repair work expenses in the memorandum accounts as of the preceding December 31 or June 30 deviate from the currently authorized amounts. In this advice letter, AMWC requests a one-time surcharge of \$120.39 per customer to recover a total of \$67,421 recorded in the purchased water and contract repair work memorandum accounts from January 1, 2002 through June 30, 2002, which exceeded the amounts currently authorized for purchased water and contract repair work over the same time period. The Water Division staff (Division) has reviewed AMWC's filing and finds the amount requested to be reasonable. However, to reduce the adverse impact of a one-time surcharge of \$120.39 per customer, Water Division recommends that the surcharge be spread over two billing periods charged at the rate of \$60.19 and \$60.20 respectively on each of the two bi-monthly bills.

Since AMWC has both flat rate and metered customers, AMWC is requesting recovery of the contract work and the purchased water memorandum accounts be recovered from the customers through a one-time surcharge. Division has no objection.

AMWC's Summary of Earnings, submitted with this advice letter, indicates AMWC is earning a negative rate of return. D.00-037-036 authorized AMWC a rate of return of zero percent. AMWC is not over earning its authorized rate of

return. This rate increase will not result in a return greater than that previously authorized.

FINDINGS

1. The Commission finds, after investigation by the Water Branch, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Arrowhead Manor Water Company is authorized to file a supplemental advice letter to make effective the revised rate Schedules No. 1A, Annual Metered Service, and No. 2RA, Annual Residential Flat Rate Service, attached to this resolution as Appendix A, authorizing the utility to receive a surcharge of \$120.39 per customer to be spread over two separate bi-monthly billing periods charged at the respective rates of \$60.19 on one bill, and \$60.20 on the second bill. The effective date of the revised rate schedules shall be five days after the date the supplemental advice letter is filed.
2. Arrowhead Manor Water Company, Inc. is directed to maintain a balancing account as required by Public Utilities Code Section 792.5 and memorandum accounts as required by Decision 00-07-036.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 24, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President

HENRY M. DUQUE
CARL W. WOOD

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GEOFFREY F. BROWN
MICHAEL R. PEEVEY
Commissioners

APPENDIX A

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Schedule No. 1A
ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished.

TERRITORY

The unincorporated community of Cedar Glen and vicinity located one mile southeast of Lake Arrowhead, San Bernardino County.

RATES

Quantity Rate:

All water used per 100 cubic feet..... \$4.12

Service Charge:

Per Service Connection Per Year

For	5/8 X3/4 inch meter	\$ 209.00
For	3/4-inch meter	313.50
For	1 inch meter	522.50
For	1-1/2-inch meter	1,045.00
For	2-inch meter	1,672.00

The service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

(continued)

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Schedule No. 1A
Annual Metered Service

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a resident has been a customer of the utility for at least 12 months, he may elect, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods for water used.
2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three hundred-sixty fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charge shall be due the customer.
3. The established billing cycle for water used is quarterly. The prorated quarterly rates for the annual charges are one-fourth the applicable annual charge. In the event a customer fails to pay one or more quarterly charges, service will not be restored until the total delinquency has been paid.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location, there will be a reconnection charge equal to the minimum charge, which would have been billed, had the customer not terminated.
5. As authorized by the California Public Utilities Commission, all bills are subject (N) to a surcharge of \$120.39 per customer to be spread over two separate bi-monthly | billing periods charged at the respective rates of \$60.19 on one bill, and \$60.20 on | the second bill. This charge offsets the costs accumulated in the Purchased Water | and Contract Work Memorandum Account of Arrowhead Manor Water Company | from January 1, 2002 through June 30, 2002. (N)
6. All bills are subject to the reimbursement fee set forth in Section No. UF.

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Schedule 2RA
Annual Residential Flat Rate Service

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

The unincorporated community of Cedar Glen and vicinity located one mile southeast of Lake Arrowhead, San Bernardino County.

RATES

	<u>Per Service Connection Per Year</u>
For a single-family residential unit including premises	\$503.47
For each additional single-family residential unit on the same Premises and served from the same service connection	337.47

The service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The above flat rates apply to service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service billed quarterly, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the pro-rated difference between such flat rate payment and the meter service charge for the same period shall be made on or before that day.
3. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a resident has been a customer of the utility for at least 12 months, he may elect, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.

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Schedule No. 2RA

Annual Residential Flat Rate Service

SPECIAL CONDITIONS (continued)

4. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three hundred-sixty fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charge shall be due the customer.
5. The established billing cycle is quarterly. The prorated quarterly rates for the annual charges are one-fourth the applicable annual charge. In the event a customer fails to pay one or more quarterly charges, service will not be restored until the total delinquency has been paid.
6. In the event that a customer terminates service under this schedule and reinstates service at the same location, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
7. The flat rate charge for customers served from mains that are isolated and drained during the winter shall be reduced by 40%.
8. As authorized by the California Public Utilities Commission, all bills are subject (N) to a surcharge of \$120.39 per customer to be spread over two separate bi-monthly | billing periods charged at the respective rates of \$60.19 on one bill, and \$60.20 on | the second bill. This charge offsets the costs accumulated in the Purchased Water | and Contract Work Memorandum Account of Arrowhead Manor Water Company | from January 1, 2002 through June 30, 2002. (N)
9. All bill are subject to reimbursement fee as set forth in Schedule No. UF.

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(END OF APPENDIX A)